

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ottawa County Office of the Drain Commissi	County Ottawa
Fiscal Year End 12/31/2007	Opinion Date 4/22/2008	Date Audit Report Submitted to State 5/10/2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

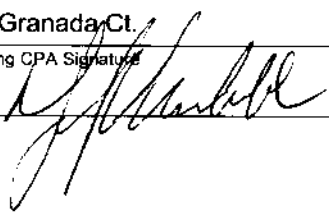
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	None were noted		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Vredeveld Haefner LLC		Telephone Number 616-446-7474		
Street Address 4001 Granada Ct.		City Grand Rapids	State MI	Zip 49534
Authorizing CPA Signature 		Printed Name Douglas J. Vredeveld		License Number 21289

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER

(a Component Unit of Ottawa County)

Ottawa County, Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007



Vredevelde Haefner LLC

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditors' Report	1
Basic Financial Statements	
Government-wide and Fund Financial Statements	
Statement of Net Assets and Governmental Funds Balance Sheet	4-5
Reconciliation of Fund Balances on the Balance Sheet for the Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	7
Statement of Activities and Governmental Funds Statement of Revenues, Expenditures And Changes in Fund Balances	8-9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Chapter 6 Drain	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Chapter 20 Drain	13
Notes to Financial Statements	15-21
Combining Nonmajor Governmental Fund Financial Statements	
Combining Balance Sheet	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	24



Vredeveld Haefner LLC

CPA's and Consultants
4001 Granada Ct.
Grand Rapids, MI 49534
FAX (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474

Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

April 22, 2008

Ottawa County Office of the Drain Commissioner
Board of Commissioners
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa County Office of the Drain Commissioner (the Drain Commission), a component unit of Ottawa County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Drain Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Drain Commission. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa County Office of the Drain Commissioner as of December 31, 2007, and the respective changes in financial position thereof and the respective budgetary comparisons for the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Ottawa County Office of the Drain Commissioner has not presented Management's Discussion and Analysis which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ottawa County Office of the Drain Commissioner's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vredeveld Haefner LLC

BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

**STATEMENT OF NET ASSETS
AND GOVERNMENTAL FUNDS BALANCE SHEET**

DECEMBER 31, 2007

	<u>Special Revenue</u>		<u>Debt</u>	<u>Capital</u>
	<u>Chapter 6</u>	<u>Chapter 20</u>	<u>Service</u>	<u>Drain</u>
	<u>Drain</u>	<u>Drain</u>	<u>Drain</u>	<u>Revolving</u>
			<u>Debt Service</u>	
Assets				
Cash and investments	\$ 717,797	\$ 424,925	\$ 110,616	\$ 4,612
Due from other funds	-	-	-	170,388
Due from other governmental units	540,913	9,615	317,135	-
Capital assets, net of accumulated depreciation	-	-	-	-
Total assets	<u>\$ 1,258,710</u>	<u>\$ 434,540</u>	<u>\$ 427,751</u>	<u>\$ 175,000</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 47,680	\$ 33,847	\$ -	\$ -
Accrued interest payable	-	-	-	-
Due to other funds	185,704	15,620	-	-
Due to primary government	-	-	-	175,000
Deferred revenue	157,280	-	270,796	-
Deposits	4,200	-	-	-
Long-term liabilities:				
Due within one year	-	-	-	-
Due after one year	-	-	-	-
Total liabilities	<u>394,864</u>	<u>49,467</u>	<u>270,796</u>	<u>175,000</u>
Fund balances				
Unreserved:				
Designated for construction	-	385,073	-	-
Undesignated reported in:				
Debt service fund	-	-	156,955	-
Capital projects funds	-	-	-	-
Special revenue funds	863,846	-	-	-
Total fund balances	<u>863,846</u>	<u>385,073</u>	<u>156,955</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,258,710</u>	<u>\$ 434,540</u>	<u>\$ 427,751</u>	<u>\$ 175,000</u>
Net assets				
Invested in capital assets, net of related debt				
Restricted for construction				
Restricted for maintenance				
Restricted for debt service				
Unrestricted				
Total net assets				

The accompanying notes are an integral part of these financial statements.

<u>Projects</u>					<u>Statement</u>
<u>Nunica</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Adjustments</u>		<u>of</u>
<u>Drain</u>	<u>Funds</u>				<u>Net Assets</u>
\$ 12,928	\$ 41,855	\$ 1,312,733	\$ -	\$ 1,312,733	
-	30,936	201,324	(201,324)	-	
-	-	867,663	-	867,663	
-	-	-	22,561,825	22,561,825	
<u>\$ 12,928</u>	<u>\$ 72,791</u>	<u>\$ 2,381,720</u>	<u>22,360,501</u>	<u>24,742,221</u>	

\$ -	\$ 3,885	\$ 85,412	-	85,412	
-	-	-	8,243	8,243	
-	-	201,324	(201,324)	-	
-	-	175,000	-	175,000	
-	-	428,076	(428,076)	-	
-	-	4,200	-	4,200	
-	-	-	138,367	138,367	
-	-	-	441,333	441,333	
-	3,885	894,012	(41,457)	852,555	

-	-	385,073	(385,073)	-	
-	-	156,955	(156,955)	-	
12,928	50,405	63,333	(63,333)	-	
-	18,501	882,347	(882,347)	-	
<u>12,928</u>	<u>68,906</u>	<u>1,487,708</u>	<u>(1,487,708)</u>	<u>-</u>	
<u>\$ 12,928</u>	<u>\$ 72,791</u>	<u>\$ 2,381,720</u>			

21,982,125	21,982,125
385,073	385,073
50,405	50,405
156,955	156,955
1,315,108	1,315,108
<u>\$ 23,889,666</u>	<u>\$ 23,889,666</u>

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS
ON THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2007

Fund balances - total governmental funds	\$ 1,487,708
 Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets	32,353,971
Deduct - accumulated depreciation	(9,792,146)
 Long-term receivables are recorded as revenue when payment is received on the governmental fund statements and as revenue when earned on the statement of activities.	
Add - deferred revenue on long-term receivables	428,076
 Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds and notes payable	(579,700)
Deduct - accrued interest on bonds and notes payable	(8,243)
 Net assets of governmental activities	 <u>\$ 23,889,666</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

**STATEMENT OF ACTIVITIES
AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital</u>
	<u>Chapter 6</u>	<u>Chapter 20</u>	<u>Service</u>	<u>Drain</u>
	<u>Drain</u>	<u>Drain</u>	<u>Drain</u>	<u>Revolving</u>
	<u>Debt Service</u>			
Expenditures / expenses				
Construction and maintenance	\$ 840,711	\$ 189,635	\$ -	\$ -
Depreciation	-	-	-	-
Principal on long-term bonds and notes	7,600	-	25,000	-
Interest and fees	2,779	-	15,390	-
Total expenditures / expenses	<u>851,090</u>	<u>189,635</u>	<u>40,390</u>	<u>-</u>
Program revenue				
Capital grants / special assessments	<u>949,659</u>	<u>117,594</u>	<u>124,122</u>	<u>-</u>
Net program revenue (expense)				
General revenue				
Interest	<u>48,207</u>	<u>27,112</u>	<u>4,999</u>	<u>-</u>
Revenues over (under) expenditures	<u>146,776</u>	<u>(44,929)</u>	<u>88,731</u>	<u>-</u>
Other financing sources (uses)				
Bond issue	200,000	-	-	-
Transfers in	-	-	2,098	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>200,000</u>	<u>-</u>	<u>2,098</u>	<u>-</u>
Net changes in fund balances / net assets	<u>346,776</u>	<u>(44,929)</u>	<u>90,829</u>	<u>-</u>
Fund balances / net assets				
Beginning of year	<u>517,070</u>	<u>430,002</u>	<u>66,126</u>	<u>-</u>
End of year	<u>\$ 863,846</u>	<u>\$ 385,073</u>	<u>\$ 156,955</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

<u>Projects</u>					<u>Statement</u>
<u>Nunica</u>	<u>Nonmajor</u>				<u>of</u>
<u>Drain</u>	<u>Funds</u>	<u>Total</u>	<u>Adjustments</u>		<u>Activities</u>
\$ 129,067	\$ 24,324	\$ 1,183,737	\$ (835,341)	\$ 348,396	
-	-	-	1,042,796	1,042,796	
-	-	32,600	(32,600)	-	
-	-	18,169	5,426	23,595	
129,067	24,324	1,234,506	180,281	1,414,787	
54,931	20,995	1,267,301	1,388,085	2,655,386	
				1,240,599	
2,662	5,005	87,985	-	87,985	
(71,474)	1,676	120,780	1,207,804		
86,500	-	286,500	(286,500)	-	
-	-	2,098	(2,098)	-	
(2,098)	-	(2,098)	2,098	-	
84,402	-	286,500	(286,500)	-	
12,928	1,676	407,280	921,304	1,328,584	
-	67,230	1,080,428	21,480,654	22,561,082	
\$ 12,928	\$ 68,906	\$ 1,487,708	\$ 22,401,958	\$ 23,889,666	

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2007

Net changes in fund balances - total governmental funds	\$ 407,280
--	-------------------

Amounts reported for *governmental activities* in the statement of activities
are different because

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is capitalized (as infrastructure)
and depreciated.

Add - capital outlay	835,341
Deduct - depreciation expense	(1,042,796)
Add - donated capital assets (infrastructure)	1,304,857

Bonds and notes provide current financial resources to governmental funds in the period
issued, but increases long-term liabilities in the statement of net assets.
Repayment of bond and note principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on bonds and notes	32,600
Deduct - bonds and notes issued	(286,500)

Certain revenues are not recognized in the funds because they do not meet the
availability criteria.

Add - increase in deferred long-term receivables	83,228
--	--------

Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable	<u>(5,426)</u>
---	----------------

Change in net assets of governmental activities	<u>\$ 1,328,584</u>
--	----------------------------

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

CHAPTER 6 DRAIN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Special assessments	\$ 907,500	\$ 890,000	\$ 949,659	\$ 59,659
Interest	<u>17,500</u>	<u>17,500</u>	<u>48,207</u>	<u>30,707</u>
Total revenues	<u>925,000</u>	<u>907,500</u>	<u>997,866</u>	<u>90,366</u>
Expenditures				
Construction	819,621	819,621	840,711	(21,090)
Principal on long-term bonds and notes	7,600	7,600	7,600	-
Interest and fees	<u>2,779</u>	<u>2,779</u>	<u>2,779</u>	<u>-</u>
Total expenditures	<u>830,000</u>	<u>830,000</u>	<u>851,090</u>	<u>(21,090)</u>
Revenues over (under) expenditures	95,000	77,500	146,776	69,276
Other financing source				
Bond issue	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Net changes in fund balance	95,000	77,500	346,776	269,276
Fund balance, beginning of year	<u>517,070</u>	<u>517,070</u>	<u>517,070</u>	<u>-</u>
Fund balance, end of year	<u>\$ 612,070</u>	<u>\$ 594,570</u>	<u>\$ 863,846</u>	<u>\$ 269,276</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

CHAPTER 20 DRAIN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 973,500	\$ 150,000	\$ 117,594	\$ (32,406)
Interest	<u>9,500</u>	<u>9,500</u>	<u>27,112</u>	<u>17,612</u>
Total revenues	983,000	159,500	144,706	(14,794)
 Expenditures				
Construction	<u>970,000</u>	<u>180,000</u>	<u>189,635</u>	<u>(9,635)</u>
Net changes in fund balance	13,000	(20,500)	(44,929)	(24,429)
Fund balance, beginning of year	<u>430,002</u>	<u>430,002</u>	<u>430,002</u>	<u>-</u>
Fund balance, end of year	<u>\$ 443,002</u>	<u>\$ 409,502</u>	<u>\$ 385,073</u>	<u>\$ (24,429)</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ottawa County Office of the Drain Commissioner (the Drain Commission) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The Ottawa County Office of the Drain Commissioner is a discretely presented component unit of Ottawa County, Michigan, and accounts for the revenues and expenditures related to construction and maintenance of drainage districts throughout the County. Each of the drainage districts established pursuant to the drain code of 1956 are separate legal entities, with the power to contract, sue and be sued, to hold, manage and dispose of real and personal property etc. The statutory drainage board of Chapter 20 drainage districts consists of the Drain Commissioner, the chairman of the County Board of Commissioners, and the chairman of the County Finance Committee. The statutory drainage board of Intercounty drainage districts, Chapter 6 and 21, consists of the State Director of Agriculture and the Drain Commissioner of each County in the drainage district. The County Drain Commissioner has sole responsibility to administer the drainage districts established pursuant to Chapters 4 and 8 of the Drain Code. The drainage Board or Drain Commissioner, on behalf of the drainage districts, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

The criteria established under generally accepted accounting principals for determining the reporting entity includes a significant operational or financial relationship with another entity. The Drain Commission is considered to be a component unit of the County because the County has the ability to significantly influence operations and has accountability for fiscal matters.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental activities of the primary government (the Drain Commission). *Governmental activities* are reported in total. The Drain Commission has no business-type activities. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

A combined financial statement is provided for the governmental funds balance sheet and the statement of net assets and the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

The Drain Commission reports the following major governmental funds:

The *Chapter 6 Drain Special Revenue Fund* is the government's primary operating fund. It accounts for the maintenance and repair of numerous drains which can assess individual land owners, but which are usually funded by assessments of other local governments.

The *Chapter 20 Drain Special Revenue Fund* is used to account for the construction and maintenance of numerous drains which can be funded exclusively by the assessment of other municipal governments.

The *Drain Debt Service Fund* is used to account for the accumulation of resources for the payment of principal, interest and other fees on long-term debt.

The *Drain Revolving Capital Projects Fund* is used to provide short term financing for drain activities which is subsequently reimbursed by the other drain funds.

The *Nunica Drain Capital Projects Fund* is used to account for the accumulation of resources and related construction activity of the Nunica Drain Drainage District.

Additionally, the Drain Commission reports the following fund types:

The *Special Revenue Fund* is used to account for the revenues and related expenditures of the Chapter 21 Drain.

The *Capital Projects Fund* accounts for the accumulation and disbursement of resources for the maintenance of various drains.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments and similar items are recognized as revenue as soon as all requirements have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for assessments and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which are recognized when due.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

The governmental funds are accounted for on a spending or "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

The governmental funds operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, it is said to present a summary of sources and uses of "available, spendable resources" during a period.

Budgets and Budgetary Accounting

The Office of the Drain Commissioner's procedures for establishing budgetary data are as follows:

- The Drain Commissioner submits a proposed budget for the upcoming year to the County Board of Commissioners.
- The budget is reviewed by the Board of Commissioners and a public hearing is held. Prior to the beginning of the year, the budget is adopted by the County Board of Commissioners.
- The budgets for the budgetary funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts shown in the financial statements consist of those amounts contained in the original and amended budgets.
- The County Board of Commissioners adopts a budget for the budgetary funds by means of an appropriations act, on a departmental activity basis in summary form.
- Periodic internal reporting is on a detail basis in accordance with the state-prescribed uniform chart of accounts. The budget is prepared on the modified accrued basis of accounting.

Cash and Investments

Cash and investments consist of the balance of savings and pooled investment accounts. The Drain Commission invests its cash and investments through Michigan financial institutions and the Ottawa County Treasurer. Michigan law authorizes the Drain Commission to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

- g. External investment pools as authorized by Public Act 20 as amended.

Receivables

Receivables consist of amounts due from other local units of government for assessments related to specific drain projects. Assessments levied by the Drain Commission are included in the December tax bill and attached as an enforceable lien as of December 1. The assessments are billed and collected by the local units of government and remitted to the County. The amounts due from the local units are offset by deferred revenue where applicable.

Capital Assets

Capital assets, which consist of infrastructure, are reported in the governmental activities column in the government-wide financial statements.

Infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Only infrastructure assets acquired or donated since 1980 are included in the Drain Commission capital asset balance. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on infrastructure is computed using the straight-line method over an estimated useful life of 30 years.

Deferred Revenue

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-Term Obligations

In the statement of net assets, the long-term debt is reported as long-term liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Fund Equity/Net assets

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent amounts set aside by the Board for tentative plans for future use.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that the Drain Commission shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Drain Commission's actual expenditures and budgeted expenditures for the Chapter 6 and Chapter 20 special revenue funds have been shown on a departmental activity basis.

During the year ended December 31, 2007, the Drain Commission incurred expenditures in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Chapter 6 Drain Construction	\$819,621	\$840,710	\$(21,089)
Chapter 20 Drain Construction	180,000	189,633	(9,633)

3. CASH AND INVESTMENTS

Cash and investments reported on the financial statements consist of the following balances at year end:

	<u>Cash and Investments</u>
Saving	\$ 120,448
Ottawa County investment pool	<u>1,192,285</u>
Cash and investments	<u>\$1,312,733</u>

The savings accounts are in two financial institutions located in Michigan. All accounts are in the name of the Drain Commission and a specific fund or common account. They are recorded in Drain Commission records at fair value.

Deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Drain Commission's deposits may not be returned. As of year end, none of the Drain Commission's bank balance of \$120,448 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investment risk

The above Ottawa County investment pool balance is held by Ottawa County at year end. The amount of investment risks can be determined for Ottawa County as a whole, but cannot be separately identified for the Drain Commission.

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>
Capital assets, being depreciated				
Infrastructure	\$30,213,773	\$2,140,198	\$ -	\$32,353,971
Less: accumulated depreciation	8,749,350	1,042,796	-	9,792,146
Capital assets, net	\$21,464,423	\$1,097,402	\$ -	\$22,561,825

5. LONG-TERM DEBT

The following is a summary of long-term debt activity and balances for the year:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2007</u>	<u>Due Within One Year</u>
Dayton Drain District					
Special assessment note Series 2004, due in annual installments of \$7,600 through June 15, 2014, plus interest at 4.57%	\$ 60,800	\$ -	\$ 7,600	\$ 53,200	\$ 7,600
Vincent Drain Drainage District					
Vincent Drain Bonds, Series 1996, due in annual installments of \$25,000 through June 1, 2016, plus interest ranging from 7.0% to 5.2%	265,000	-	25,000	240,000	25,000
Nunica Drain Drainage District					
Nunica Drain Bonds, Series 2007, due in annual installments of \$5,767 through June 1, 2022, plus interest at 4.85%	-	86,500	-	86,500	5,767
Rush Creek of Jamestown Drain Drainage District					
Rush Creek of Jamestown Drain Note, due in annual installments of \$100,000 through June 1, 2009, plus interest at 4.39%	-	200,000	-	200,000	100,000
Total	\$325,800	\$ 286,500	\$ 32,600	\$579,700	\$138,367

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Following is a summary of future principal maturities and interest requirements:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 138,367	\$ 25,986
2009	138,367	22,566
2010	38,367	16,100
2011	38,367	13,985
2012	38,367	11,867
2013-2017	159,032	26,700
2018-2022	28,833	4,196
Total	<u>\$ 579,700</u>	<u>\$121,400</u>

6. INTERFUND TRANSACTIONS

Interfund receivables and payables of individual funds at December 31, 2007 were as follows:

	<u>Payable Fund</u>		
	<u>Chapter 6 Drain</u>	<u>Chapter 20 Drain</u>	<u>Total</u>
Receivable Fund:			
Drain Revolving	\$154,768	\$15,620	\$170,388
Nonmajor governmental funds	30,936	-	30,936
Total	<u>\$185,704</u>	<u>\$15,620</u>	<u>\$201,324</u>

Interfund balances primarily reflect loans made from funds with cash and investments to those funds requiring temporary cash flow.

Transfers in and out for the year ended December 31, 2007 consist of \$2,098 which was transferred from the Nunica Drain Capital Projects Fund to the Debt Service Fund. The transfer was initiated to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

7. RELATED PARTY TRANSACTIONS

The Drain Commission assesses Ottawa County (the primary government of which the Drain Commission is a component unit) and the Ottawa County Road Commission (a component unit of Ottawa County) for drain projects. During 2007 the County paid assessments to the Drain Commission of \$219,386, while the Road Commission paid assessments of \$65,628. There are also assessments due from the Road Commission of \$19,524 which are included in amounts due from other governmental units.

**COMBINING NONMAJOR GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2007

	<u>Special Revenue Chapter 21 Drain - Bliss</u>	<u>Capital Projects Drain Revolving Maintenance</u>	<u>Total</u>
Assets			
Cash and investments	\$ 22,386	\$ 19,469	\$ 41,855
Due from other funds	-	30,936	30,936
Total assets	<u>\$ 22,386</u>	<u>\$ 50,405</u>	<u>\$ 72,791</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 3,885	\$ -	\$ 3,885
Total liabilities	3,885	-	3,885
Fund balances			
Unreserved			
Undesignated	18,501	50,405	68,906
Total liabilities and fund balances	<u>\$ 22,386</u>	<u>\$ 50,405</u>	<u>\$ 72,791</u>

OTTAWA COUNTY OFFICE OF THE DRAIN COMMISSIONER
(a Component Unit of Ottawa County)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Special Revenue Chapter 21 Drain - Bliss</u>	<u>Capital Projects Drain Revolving Maintenance</u>	<u>Total</u>
Revenues			
Special assessments	\$ 20,995	\$ -	\$ 20,995
Interest	<u>1,385</u>	<u>3,620</u>	<u>5,005</u>
Total revenues	22,380	3,620	26,000
Expenditures			
Construction	<u>24,324</u>	<u>-</u>	<u>24,324</u>
Net changes in fund balances	(1,944)	3,620	1,676
Fund balances, beginning of year	<u>20,445</u>	<u>46,785</u>	<u>67,230</u>
Fund balances, end of year	<u>\$ 18,501</u>	<u>\$ 50,405</u>	<u>\$ 68,906</u>